

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Release Date: 3/17/2017

Employer Identification Number:

Contact person - ID number:

Date: December 23, 2016

Contact telephone number:

LEGEND
z= Amount of scholarship

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program to help students with the cost of tuition at private high schools.

You will seek to assist individuals who have demonstrated potential for academic excellence. You will determine grant amounts on a case by case basis; they are expected to be approximately \$z per recipient per year.

You will publicize your grant program on the website of the secondary school as well as by identifying educational and religious institutions in the community — including schools and churches — and provide oral, printed and electronic information about the available grants.

To be eligible for consideration for a grant, applicants must meet the following criteria: (1) applicants must display academic potential and interest in extracurricular activities; (2) applicants must have been accepted at the secondary school; (3) applicants must be in good standing with their current academic institution; (4) applicants must be available for in-person or telephone interviews and must provide personal and academic references; and (5) must not be a spouse, ancestor, descendant or spouse of a descendant of any contributor or director to the foundation.

Your directors will determine grants based on the applicant's academic record and other academic credentials; participation in extracurricular activities; financial need; information obtained from prior academic advisors and educators; affiliation within the community if applicable; and references.

Grants will be paid directly to the high school. Recipients must agree to provide reports in the form of transcripts upon completion of their academic year and to authorize you to verify information they have submitted in evaluating the use of the grant. When possible, reports will be obtained from the secondary school. If no report is filed by the recipient, or if reports indicate that the funds are not being used in furtherance of the purpose of the grant, you will investigate. While conducting the investigation, you will withhold further payments from the grantee and will take reasonable steps to recover funds until you have determined that the funds are being used for their intended purpose.

You also represent that you will ensure other grant funds held by a grantee are used for their intended purposes and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements